

REPORT OF INVESTIGATION



File Number: 04-158

Agency: Georgia Regional Transportation Authority

Basis for Investigation: Agency Request for Assistance

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I. Basis for IG Involvement

The Georgia Regional Transportation Authority (GRTA) was created in 1999 to address issues of transportation, improved air quality and improved land use. While the scope of its mission is statewide, its immediate emphasis is to provide transportation to the metro Atlanta area. GRTA has established express bus service and van pools from surrounding counties to downtown Atlanta, as well as local bus service in Clayton County. Continuous planning exists to expand these services in the future.

GRTA, through Executive Director Steve Stancil, asked the Office of Inspector General (OIG) to review and evaluate the processes and controls used by GRTA for handling revenues generated by transportation services. This report documents relevant observations in 11 areas and makes recommendations for the agency to consider implementing. (see Section II, A-K)

The 11 areas evaluated were: Cash and Cash Equivalents, Cash Disbursements, Passes, Fixed Assets, Data Security, Van Pool Operations, Grants and Department of Community Affairs Funds, Personnel, Call Center, Contractor Funds, and Reports.

In reaching its recommendations, the OIG interviewed GRTA staff members and representatives from Gwinnett Transit Authority and McDonald Transit, reviewed numerous documents and contracts, and personally observed actual processes.

II. Areas Evaluated

A. Cash and Cash Equivalents

Cash - Present Process

Minimal amounts of cash are received at GRTA. Cash is received from walk-in pass sales and Park-N-Ride sales. Significant amounts of cash are processed by transit contractors through their fare boxes (see Section J, Contractor Funds.) No cash is received through the mail. When cash is received it is transferred from the Transit Support area or by a Park-n-Ride sales representative to the Accounting Department. For purposes of deposits, cash is handled in the same manner as other deposit items.

Recommendation

Although cash received at GRTA is minimal, it is suggested that a Cash Receipt Log be generated to record the following information: amount of cash received, date received, received by whom, and the reason for receipt. This log should be transferred to accounting on a weekly basis and reconciled with actual cash received and deposited. All cash should be collected by the Accounting Department on a daily basis.

Checks - Present Process

Checks are received from individuals, state agencies and third party organizations. They are presented primarily for Express Pass sales, but are also accepted as payment for van pools and C-Tran passes. Checks are received through the mail, from walk-in pass sales or from the Park-n-Ride sales representatives. Incoming checks are routed to one of three areas: Transit Support for Express Pass sales (along with the accompanying application); the receptionist for van pool or MARTA passes; and, Accounting for non-rider sales or undetermined reasons.

Upon receipt by the receptionist, all checks are stamped with the GRTA endorsement. She makes copies of all checks, applications and invoices. She also scans the checks and prepares and scans a deposit slip. All checks and deposit slips are placed in an envelope and carried to Accounting that day or placed in a locked cabinet and taken to Accounting the next day. Applications or invoices, along with a copy of the check, are forwarded to the van pool section. The receptionist does no reconciliation of passes or receipts.

Checks received by Transit Support for Express Pass sales, are copied along with the accompanying application and are carried to Accounting. Transit Support processes the application by selecting the type of pass requested. The pass is mailed to the applicant along with an appropriate letter explaining how to use the pass.

Recommendation

The receptionist should continue to stamp all incoming checks with the GRTA endorsement as soon as received. Upon receipt in Accounting, all checks should be examined to ensure that they are endorsed.

Additionally, any other area within GRTA receiving checks should place an endorsement stamp for the appropriate account on them as soon as they are received.

All checks should be turned over to Accounting on a daily basis and should not be held at separate locations at GRTA.

Accounts - Present Process

GRTA operates a concentration checking account at Bank of America. GRTA also has two zero balance accounts, one for accounts payable and one for payroll. Separate deposit accounts are set-up to be used by the transit contractors for fare box deposits. These accounts allow for daily transfers to the concentration account, but do not allow for disbursements.

There are three authorized signers on the concentration account: the Executive Director, the Deputy Director, and the Chairman of the Board.

GRTA also has an investment account through the State of Georgia treasurer. Transfers to or from this investment account can only be made to the concentration account.

Bank statements are received by the accounting manager, but are reconciled by the Director of Finance and Administration.

Credit Cards - Present Process

Credit cards are processed for express pass sales. They are processed from applications received via mail, fax, or walk-ins. Faxed applications are received on a secure fax located in the locked server room. They are distributed to Transit Support or Van Pool sections by the IT personnel. The Director of Finance and Administration and the Transit Support member are the only personnel authorized to process credit cards.

Presently, credit card applications are not accepted in the Call Center, however, GRTA is working towards implementing this process in the future (see Section I, Call Center, for further discussion on this process). Credit cards will also be available for payment via the GRTA website.

Credit cards are processed by Cyber Source, a national credit card processing company. Cyber Source has been approved by GRTA's financial institution, Bank of America, and SunTrust, the bank that processes GRTA's credit card transactions. End-users can access Cyber Source's secure website by automatic link through GRTA's website. Once the credit card is processed through Cyber Source, the Director of Finance and Administration "sweeps" the authorized funds to GRTA's main checking account.

All credit card applications contain the necessary rider information, including the security digit typically located on the back of the credit card. Transit Support retains all applications for an indefinite period. Currently, all applications are held in a locked cabinet.

Recommendation

Credit card applications should be held for the shortest period possible that is consistent with state retention requirements. Since credit card applications contain highly sensitive data that can be used for fraudulent purposes, they should be held only to resolve disputes, and then shredded.

GRTA should continue with their practice of holding all applications in a locked cabinet.

B. Cash Disbursements

Present Process

Cash disbursements are made through accounts payable and payroll. When a GRTA staff member requires payment for an invoice, they prepare a Request for Payment form. This form includes the original invoice, and approval from both the department manager and the Deputy Director. The requestor must also verify that the item or service on the invoice was received. A staff member in accounts payable prepares the check. The accounting manger prints the check. The Director of Finance and Administration frequently reviews the printed check and supporting documentation, and then forwards it to the Executive Director for his signature. It is then returned to Accounting where it is prepared for mailing.

Purchase orders are not generally used, except for established vendors of capital assets, maintenance contracts, or consulting contracts.

Payroll entries are made by the accounting manager and communicated to an external, third party payroll processor, ADP.

Recommendation

While this process was not observed, if followed consistently, it appeared to be a well-developed process with adequate internal controls. Payroll reports received from ADP should be reviewed by the accounting manager for accuracy, and should also be reviewed by the Director of Finance and Administration and/or the Human Resources manager.

Vendors and contractors should be verified as to their legitimacy when established.

C. Passes

Present Process

Other than fixed assets, passes are the items with the highest dollar value at GRTA. Currently GRTA has two main passes, Express Passes and C-Tran passes.

Express Passes are sold for the express buses. They come in values of \$40, \$45 or \$80. Passes are constructed of thick paper and serially numbered. In the future, they will contain a magnetic strip that will enable them to be centrally tracked. Express Passes are retained in a locked drawer in the office of the Director of Finance and Administration.

When a Transit Support staff member needs a quantity of Express Passes, they are transferred from the Director of Finance and Administration. Express Passes are also distributed to the Park-n-Ride sales representatives as needed. The Transit Support staff member records the passes that are assigned to the Park-n-Ride sales representatives, and records the sales information when sold.

It should be noted, that there were some consignment passes given to local government agencies, typically only when a new route was started.

C-Tran Passes are passes for local or express buses. Passes come in values of \$26 or \$52.50. C-Tran Passes are kept in a locked drawer by the manager of Transportation Demand Management. When passes are sold, they are transferred to a Transit Support staff member for distribution.

GRTA also sells MARTA, Gwinnett County and Cobb County Passes to state employees via payroll deductions. GRTA has no financial interest in these passes, but is merely a conduit and offers them as a convenience. These passes are retained by the Van Pool department.

Recommendation

It is recommended that all passes be physically retained in a central, secured location, with limited accessibility.

It is recommended that all passes be subjected to a detailed inventory. Passes should be logged in when received, by range of serial number. When passes are distributed within GRTA, the following should be recorded: when the pass was distributed, to whom, by whom, and which numbers were distributed. This inventory should also indicate the type and number of passes that remain in inventory. Inventory should be physically verified on a quarterly basis.

It is recommended that each section within GRTA conduct a weekly reconciliation of passes received and sold. It is also recommended that all types of passes be reconciled by number. This should be conducted or verified by the department manager, and approved by the Director of Finance and Administration.

It is recommended that a weekly reconciliation be made of type and number of passes sold against actual bank deposits or invoices. Any variance must be researched and explained.

D. Fixed Assets

Present Process

Vehicles – GRTA has a detailed list of vehicles, including those transferred from the Georgia Building Authority (GBA) and those that were purchased.

Computer Equipment – a list is being generated by the IT manager.

Furniture and Fixtures – a list is available.

Office equipment – a list is available.

Recommendation

To ensure the accuracy of the above lists, it is recommended that a physical inventory be conducted to verify that all assets are still in the possession of GRTA. All department managers should be instructed to notify Accounting when assets are added, deleted, or impaired.

Accounting should verify that all assets are reflected in the general ledger.

E. Data Security

Present Process

GRTA follows data security guidelines set forth by the Georgia Technology Authority (GTA). Passwords are required and changed periodically.

Intrusion testing is done by the IT manager on an informal basis. Data security is still an ongoing process within GRTA.

Recommendation

At this time, the OIG does not have a specific recommendation as to data security. It is recommended that intrusion testing be performed on a regularly scheduled basis. The results of the testing should be documented in written form. As described in Section I, there are data security considerations in this area.

F. Van Pool Operation

Present Process

GRTA owns and operates six and 12 person commuter vans throughout the metro-Atlanta area. Fuel and maintenance is provided by GRTA. All prospective drivers are required to undergo driver's license checks.

A van may be parked at the approved driver's home, a public place, or at a secured location when not in use. Riders who live and work in close proximity to each other form a van pool group. They may be picked up at their residences or at a common location and driven to downtown Atlanta. After all riders are discharged, the driver parks the van in a lot behind the GBA offices.

The driver is responsible for having maintenance performed on the van and for maintaining an accurate mileage log of miles when riders are on board. Fares are based on the distance driven and the number of riders per van. Fares vary on a month-to-month basis. All invoices are paid in advance. Approximately 90 percent of invoices are payroll deductible. Other invoices are given to riders by the drivers. Riders may pay the drivers or mail payment to GRTA. For payments made to the drivers, a drop box is available at the van pool parking lot. When payments are placed in the drop box, they are picked up by Van Pool Department personnel. To date, there has not been a problem with drivers forwarding payments.

Since invoices are based on a calendar month basis, and payments are due by the fifth working day of the new month, it is possible to review any non-payment quickly. All payments are posted to the individual rider's invoices on accounts receivable. An aging schedule is prepared to identify payments not received.

Drivers are issued state fuel purchase cards and there is a contract with Jiffy Lube for van maintenance. These services are to be used only in emergency situations, since both fuel and service are available at the GBA parking lot.

Recommendations

Driver history criteria are generous. If insurance requirements are met, and GRTA legal advisors do not object, there are no recommended changes.

It is recommended that a monthly reconciliation of fuel purchase cards and Jiffy Lube invoices be done to ensure that the use of these services is not abused or duplicated.

G. Grants and Department of Community Affairs Funds (DCA)

Present Process

Federal grants are received when expense reports are submitted. DCA periodically sends GRTA checks based on their budget allocation for the fiscal year.

Funds are recorded in the general ledger as revenue and deposited when received.

Conclusion

Federal funds are directly transferred to the GRTA account. DCA checks are made payable to GRTA. Both types of transactions are relatively secure with little risk of diversion.

H. Personnel

Present Process

As of the date of this evaluation, GRTA had 35 employees. GRTA has a Human Resources representative who handles all personnel matters and who processes new hires.

The accounting manager enters all payroll information and new hire information in the payroll system.

Recommendations

It is recommended that the Human Resources manager enter all new hire payroll information, but be restricted from entering ongoing payroll information.

It is recommended that the accounting manager not enter any new employee on payroll. However, the accounting manager should continue to enter all current employee payroll information in the payroll system.

I. Call Center

Present Process

The Call Center is operated and staffed by GTA employees. There are approximately 12 employees at this Center, but not all of them handle GRTA's calls. GRTA's purpose in using this Center is to answer questions and/or record complaints regarding C-Tran operations.

In the future, GTRA plans to have Call Center operators accept credit card applications for C-Tran and/or express bus passes. It is intended that these operators will utilize the GRTA website and the seamless Cyber Source secure area to enter data. GRTA personnel will be able to retrieve the data on a daily basis to process these requests. The processing of

credit card information at GRTA will be handled in the same manner as other credit card transactions.

GRTA legal counsel has prepared a contract amendment to allow for credit card processing. Additionally, GTA is preparing a proposal for GRTA that will address standards for personnel responsible for processing credit card information. The GTA proposal will address training, security considerations, hiring and retention of staff.

Recommendations

It is recommended that GTA personnel be prohibited from writing down any credit card information when processing credit cards.

It is recommended that GTA personnel not have the ability to print screen or print any credit card information.

It is recommended that GTA personnel not have the ability to retrieve any credit card information once the information is submitted to Cyber Source.

It is recommended that any GTA personnel responsible for processing credit cards be subjected to a background screening that includes, at a minimum, a credit check and criminal history check.

It is recommended that some form of identifier be assigned to GTA personnel when they process credit card information so an audit trail can be established to determine who processed the information.

J. Contractor Funds

Present Process

In fiscal year 2004, it was estimated that approximately \$1.1 million was collected through fare boxes on the local buses in C-Tran. Cash was also received from express buses, although it was substantially less. It was estimated that express riders used purchased passes 90 percent of the time, while the reverse was true for local riders (C-Tran), in that 90 percent of fares were paid in cash at the fare boxes.

Fare box collections are conducted by both First Transit and McDonald Transit at their terminal facilities. Both vendors have "money rooms" in which they process fare boxes. It is understood that, while not in place currently, there are means to process fare boxes so that currency in the

boxes cannot be accessed until final processing is done. This can be done in the “money rooms,” at armored car facilities, or at bank central money vaults. Currently, McDonald Transit has no cameras in their money room.

Fare boxes can be programmed to “count” currency deposited. It is understood, that software is installed on the C-Tran buses, and once fully operational, GRTA will be able to receive daily reports detailing the cash received on each route.

Professional contractors are available to put “undercover riders” on buses to test drivers and to observe their actions. GRTA intends to use these contractors for this purpose.

Recommendations

It is recommended that GRTA ascertain the daily ridership on each of its routes. This can be done through undercover rider operations, external observations made by GRTA employees, analysis of pass sales and other means. Analysis and interpolation of fare box deposits and physical observations can establish benchmarks that should be closely monitored. Any variances should be investigated and explained. GRTA should obtain assurance that both transit companies have sufficient measures in place to protect GRTA's assets.

It is recommended that undercover riders be used as soon as possible. This will provide GRTA with feedback on the drivers' actions, particularly on C -Tran routes. This should be used frequently during the early months of operation. Early correction of inappropriate driver action will set the tone and alert both First Transit and its drivers that GRTA will not tolerate inappropriate behavior.

K. Reports

Present Process

Currently, contractor reports in the areas of weekly deposits, ridership and expenses do not provide the level of detail needed by GRTA managers and supervisors. Contractor reports are being reviewed and a determination is being made by GRTA staff to request that more meaningful information be provided by contractors. The transit manager has indicated that daily ridership reports will provide better information on which to base routes and schedules.

The IT manager is utilizing some of the written standards available from GTA. Other procedures followed are not written or formalized. Many of GRTA's policies and procedures are verbal in nature and there is no written documentation to support them.

An accounting manual is in progress.

Recommendations

There is inconsistency in some of the procedures that could be clarified by first identifying and defining the processes and then preparing written documentation. As GRTA continues to experience exponential growth, it will be more difficult to continue with verbal procedures.

It is recommended that all departments reduce their policies and procedures in the form of written manuals. This will not only provide consistency, but will allow current and new employees direction and provide managers with a means to measure performance.

The Transit Support staff member has created a spreadsheet with data from pass sales processes. Cyber Source transactions can be generated on a report with similar information.

It is recommended that these reports be consolidated on a central data base within GRTA and be expanded to include all types of passes available. In addition to having all sales information centralized, the report can be utilized to sort out sales by routes (if this information is included) and to inventory passes (as recommended in Section C, Passes, of this report).

It is suggested that the vendor file be periodically reviewed to identify any vendors who appear to be unknown to the staff. The vendor history may be examined to detect any anomalies or unusual transactions that would need to be examined or explained.

III. Conclusion

Borrowing from the Association of Certified Fraud Examiners White Paper, an ideal fraud prevention program has the following elements:

- Setting the principled tone at the top;
- Developing a code of conduct and a confirmation process;
- Creating a positive environment;
- Hiring and promoting appropriate employees;
- Having fair and balanced discipline;
- Identifying and measuring fraud risks;
- Implementing and monitoring internal controls; and,
- Emphasizing team collaboration.

The ultimate goal of a fraud prevention program is to both prevent fraud from occurring and to detect fraud if it has occurred.

In the areas examined, GRTA employees were generally found to have procedures in place that attempted to document their actions. The employees are conscientious in their efforts to be thorough in the performance of their responsibilities. However, we did find some inconsistencies in the methods approached and found little written support for procedures.

Overall, the GRTA policies and procedures that were described, observed and reviewed form the basis for a sound internal control/asset protection program. With implementation of greater definition and adjustments of these processes, along with a written manual outlining these procedures, GRTA will move to the next level of risk minimization.